



# CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing the **City** Manager to Enter into a Letter of Agreement Between the City of Lodi and Schaefer Systems International for the Sale of Designated Municipal Electric Distribution Facilities (\$78,132) **(EUD)**

MEETING DATE: August 20,2008

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution authorizing the City Manager to enter into a Letter of Agreement between the City of Lodi and Schaefer Systems International for the Sale of Designated Municipal Electric Distribution Facilities in the amount of \$78,132.

BACKGROUND INFORMATION: Schaefer Systems International, Inc. (Schaefer) has two (2) utility services; both are assigned to the G5 secondary rate tariff. Representatives from Schaefer met with the City of Lodi (COL) earlier this year requesting that the two existing secondary services/accounts be collapsed into one primary service. In order to accomplish this task, the following would occur:

Schaefer would need to reconstruct the existing G5 secondary services, upgrading these two meters to primary voltage/service. To achieve this, Schaefer must purchase existing COL overhead electric distribution equipment, the two existing padmount transformers and a new primary electric meter. Schaefer would pay the COL \$78,132.00 for said facilities (this cost figure includes labor required by COL line crews to install said facilities). Schaefer will then be responsible for maintaining this electrical equipment including the transformers.

The proposed arrangement **conforms** to City Council approved Electric Rules and Regulations:

- Rule 2, Section 3a: "Three-phase demand loads in excess of 500 KVA, but less than 7000 KVA may, with City approval, be supplied by means of a primary service at the primary distribution voltage available at the location."

This is a sound financial decision for Schaefer, as the project will pay for itself in a relatively short period due to the expected savings associated with collapsing the existing G5 accounts into one primary account.

This industrial customer is interested in entering into the attached LOA with the COL as soon as possible. If the Council approves this LOA, Electric Utility staff would then order required primary metering equipment and related materials. It is anticipated that this project would be completed by November 1, 2008.

APPROVED:   
Blair King, City Manager

**FISCAL IMPACT:** The sale of facilities and services will result in revenue to the Electric Utility Department in the amount of \$78,132.

**FUNDING:** Not applicable.

  
George F. Morrow  
Electric Utility Director

**Prepared By:** Rob Lechner, Manager, Customer Service and Programs

GFM/RSL/lst

Attachments (1)

# LETTER OF AGREEMENT: SALE OF MUNICIPAL FACILITIES

BETWEEN

THE CITY OF LODI

AND

SCHAEFER SYSTEMS INTERNATIONAL, INCORPORATED

This Letter of Agreement (LOA) is between the City of Lodi (COL) and Schaefer Systems International, Incorporated (Schaefer). By way of this signed LOA, Schaefer agrees to purchase and maintain designated electric utility facilities as identified on the attached Appendix A.

In summary, Schaefer will purchase designated overhead electric distribution facilities located at the customer's plant site of 1250 E. Thurman Street, as well as a padmount transformer. In addition Schaefer agrees to purchase all necessary primary metering equipment and compensate the COL for all required labor costs to install said equipment.

In purchasing the aforementioned equipment (padmount transformers and overhead electric distribution facilities) Schaefer also agrees to properly maintain said equipment and pay for all repairs necessary for maintaining said equipment in the event of equipment failure in perpetuity.

The total purchase price of the equipment and associated labor costs listed on Appendix A is in the amount of \$78,132.00. *Note: in the event that the labor required to perform this project occurs after COL operating hours (7:00am to 4:30pm, Monday through Friday, excluding holidays and weekends), Schaefer will be charged any/all additional labor costs above and beyond the costs identified on Appendix A.*

Schaefer agrees to compensate the COL for the total amount listed in the LOA prior to completion of said project.

**Letter of Agreement: Sale of Municipal Facilities Between COL & Schaefer**

IN WITNESS HEREOF, the parties hereto have entered into this Letter of Agreement dated \_\_\_\_\_, 2008.

**CITY OF LODI**

\_\_\_\_\_  
Blair King  
City Manager

**SCHAEFER SYSTEMS**

\_\_\_\_\_  
President

\_\_\_\_\_  
Date

**ATTEST:**

\_\_\_\_\_  
Randi Johl  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
D. Stephen Schwabauer  
City Attorney

## Letter of Agreement: Sale of Municipal Facilities Between COL & Schaefer

### APPENDIX 'A'

	Installation Cost	Depreciation Allowance	Buy Out Cost/Total
Purchase existing plant	\$28,657.00	\$10,517.00	\$18,140.00
Purchase 2 transformers	\$30,050.00	\$11,028.00	\$19,022.00
Labor/Installation	\$13,774.00	\$0.00	\$13,774.00
Upgrade existing system	\$27,196.00	\$0.00	\$27,196.00
<b>TOTAL</b>	<b>\$99,677.00</b>	<b>\$21,545.00</b>	<b>\$78,132.00</b>

#### NOTES:

- 1) Existing plant & padmount transformers were installed in 1997.
- 2) Existing plant & padmount transformers based on 30 year service life.
- 3) Primary metering installation & upgrade costs based on straight time labor. One day plant shut down (minimum) required for each of three pole upgrades and installation of primary metering equipment.

RESOLUTION NO. 2008-164

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING  
THE CITY MANAGER TO ENTER INTO A LETTER OF AGREEMENT  
BETWEEN THE CITY OF LODI AND SCHAEFER SYSTEMS  
INTERNATIONAL FOR THE SALE OF DESIGNATED MUNICIPAL  
ELECTRIC DISTRIBUTION FACILITIES

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NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby authorizes the City Manager to enter into a Letter of Agreement between the City of Lodi and Schaefer Systems International for the sale of designated municipal electric distribution facilities in the amount of \$78,132. This figure includes the purchase of two transformers, primary metering equipment and labor costs associated with the installation of said equipment, and upgrading the existing system to accommodate the customer's need.

Dated: August 20, 2008

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I hereby certify that Resolution No. 2008-164 was passed and adopted by the City Council of the City of Lodi in a regular meeting held August 20, 2008, by the following Vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Katzakian,  
and Mayor Mounce

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

  
RANDI JOHL  
City Clerk